In a "Nutshell"
Nonprogram Food Revenue
Understanding USDA's Nonprogram Food Revenue Rule

Nonprogram Food Revenue Rule 7 CFR Part 210 - All food sold in a school and purchased with funds from the nonprofit school food service account, **other than meals and supplements reimbursed by the United States Department of Agriculture (USDA),** must generate revenue at least equal to the full cost of such foods.

All nonprogram costs must be covered by revenues received from the sale of the nonprogram foods including:

- Food
- Labor
- Equipment
- Purchased services
- Other expenses

Nonprogram foods may not:
- Be supported by funds from reimbursable meals or have losses absorbed by the food service account.

If nonprogram food revenue runs in the negative:
- Non-federal funds must be transferred into the food service account to cover the deficit.

Nonprogram foods include any non-reimbursable foods and beverages purchased using funds from the nonprofit foodservice account to include, but not limited to:

- Extra entrees
- A la carte items
- Adult or visitor meals
- Cold lunch milk/extra milks sold/paid milk breaks/ unreimbursed Wisconsin School Day Milk
- Food service operated vending machines
- Foods sold outside school hours by food service
- Foods used for catering
- Foods sold to classes or fundraisers
- Vended meals sold to other agencies (Joint)
- Any other foods for which the School Food Authority does not receive reimbursement from USDA
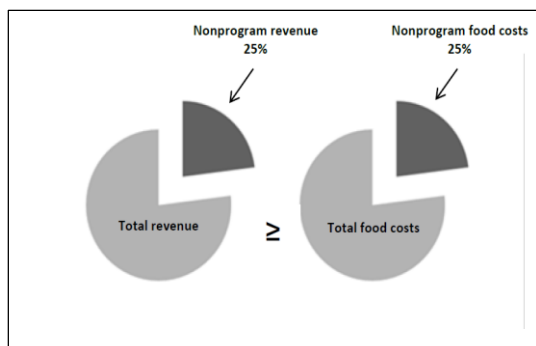
Nonprogram food revenue compliance requires all SFAs to:
- Separate nonprogram food costs from program food costs.
- Separate nonprogram food revenues from program food revenues.
- Sufficiently increase nonprogram food prices to cover all costs and comply with the revenue ratio.
- Use the USDA Nonprogram Food Revenue Tool http://dpi.wi.gov/sites/default/files/imce/school-nutrition/xls/npr_tool.xls annually, at a minimum, to determine if the proportion of nonprogram food revenue to total food service revenue is equal to or greater than the proportion of nonprogram food cost to total reimbursable meal food costs + nonprogram food cost.

$$\frac{\text{Nonprogram Food Revenue}^3}{(\text{Nonprogram Revenue + Program Revenue})^4} > \frac{\text{Nonprogram Food Costs}^1}{(\text{Nonprogram Costs + Reimbursable Meal Costs})^2}$$

In the example below, the cost for reimbursable meal food is $1,500 and the cost for nonprogram food is $500. When added together this equals a sum of $2,000 total food cost. $500 in nonprogram food cost is 25% of the $2,000 total food cost. Because the total cost of nonprogram food is 25% of the total food cost, the revenue generated from the sale of these nonprogram foods must be at least 25% of the total school food service account revenue. Since the nonprogram revenue of $1,000 is 25% of total food service revenue of $4,000, no additional nonprogram food revenue is needed to comply. If the nonprogram food revenue ratio was less than 25%, an increase would be required.

Cost for Reimbursable Meal Food	$ 1,500
Cost of Nonprogram Food[1]	$ 500
Total Food Costs[2]	$ 2,000
Total Nonprogram Food Revenue[3]	$ 1,000
Total Revenue[4]	$ 4,000
Minimum portion of revenue from nonprogram funds	25%
Minimum Revenue Required from the Sale of Nonprogram Foods	$ 1,000
Additional Revenue Needed to Comply	$ -

To complete the DPI Nonprogram Food Revenue Tool (http://dpi.wi.gov/sites/default/files/imce/school-nutrition/xls/non-program-food-price-calculator.xlsx**)** which feeds into the USDA tool, the SFA must:
- Select a **reference period** of at least 5 consecutive operating days of a regular school week.
- Compare the **reference period revenue ratio** to the **reference period food cost ratio** to determine if the revenue ratio is equal to or greater than the food cost ratio. Rather than separating all costs for the entire year (although recommended), SFAs may separate their nonprogram food costs from their program food costs for the selected **reference period**. If the revenue ratio is equal to or greater than the food cost ratio, the SFA is in compliance.

- Collect the following SFA-wide information for the **reference period**:
  - ➢ For nonprogram food revenue, the dollar amount of nonprogram food sales.
  - ➢ For total revenue, the dollar amount of program and nonprogram food sales, including:
    - School nutrition federal reimbursement,
    - Student's payments for reimbursable meals,
    - Payments for all nonprogram foods items purchased.
  - ➢ For nonprogram food cost data, include:
    - An itemization of all nonprogram foods to be offered during the reference period,
    - The per item/serving cost of each nonprogram food, including food sold as program and nonprogram food (crossover food),
    - The number of servings/items sold for each nonprogram food.
  - ➢ For program food cost data, include:
    - An itemization of all program foods to be offered during the reference period,
    - The per reimbursable meal cost of each program meal,
    - The number of reimbursable meals sold.
  - ➢ For total food cost data, include all nonprogram food cost data and program food cost data.

Additional guidance and resources
- Some SFAs may offer a limited number of nonprogram food items with an identifiable per serving cost (e.g., only sell milk a la carte) and are not able to accurately perform the assessment. In these instances, the SFA may be charging the full cost for the nonprogram foods offered, but due to the small number of these items in relation to the total revenue and cost, the assessment may overestimate the required increase. In this situation, SFAs may instead determine compliance by showing whether or not they are recovering more than the per-serving cost of these nonprogram items.
- SFAs must annually be provided information on food costs and revenues from Food Service Management Companies (FSMC) for fixed price per meal contracts. The information must include food cost for reimbursable meals, food cost for non-program food, revenue from nonprogram food, and total revenue to determine the SFA's compliance with the revenue from nonprogram food requirement. Previously, FSMCs may not have disclosed food cost data in a fixed price contract awarded on a per meal basis or revenues from nonprogram food sales which are converted into meal equivalents. It is now required to be broken out in the FSMC contract.
- There are a range of actions SFAs may take to adjust nonprogram food prices, including:
  - If certain nonprogram food items are not generating enough revenue to cover the costs of producing the items, increase the price of these items to more accurately reflect the cost or re-evaluate whether these items should be sold as nonprogram food.
  - If multiple nonprogram foods are sold as a unit and are also offered as a reimbursable meal, price the nonprogram food unit above the cost of the reimbursable meals.
  - Selectively increase the prices of some but not all nonprogram food items (e.g., less healthy food marked up by a greater amount than healthier choices).
  - Review sales records and increase the prices of the more popular items.
  - Some nonprogram foods may be priced lower than actual cost as long as the total revenue generated from all nonprogram food meets the proportional requirement.
- The Institute of Child Nutrition's Food Buying Guide http://fbg.nfsmi.org/ provides useful information for determining the serving sizes for food items either sold individually or incorporated into recipes.
- Wisconsin Adult Meals Minimum Pricing Guide http://dpi.wi.gov/sites/default/files/imce/school-nutrition/doc/wisconsin-adult-meal-pricing-guide.doc
- Nonprogram Food Pricing Calculator http://dpi.wi.gov/sites/default/files/imce/school-nutrition/xls/nonprogram-food-price-calculator.xlsx

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